

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 L-03 H-02

FEA-01 INT-05 /078 W

----- 072486

R 310842Z DEC 75

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 3719

INFO AMEMBASSY NEW DELHI

AMEMBASSY ISLAMABAD

AMEMBASSY TEHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY DOHA

C O N F I D E N T I A L ABU DHABI 2668

E.O. 11652: GDS

TAGS : ECON, TC, IN

SUBJECT : UAE-INDIAN ECONOMIC RELATIONS IN 1976

DEPT PASS TREASURY FOR PARSKY

1. MAIN PURPOSE OF VISIT TO ABU DHABI BY INDIAN MINISTER OF PETROLEUM KESHAV DEV MALVIYA DECEMBER 26-29 WAS TO LINE UP NEW OIL DEAL FOR 1976, BUT INDIANS SEEM THUS FAR NOT TO HAVE OBTAINED AS FAVORABLE TERMS AS THEY DID IN 1975. IN 1975 THEY IMPORTED ONE MILLION TONS OF CRUDE FROM ABU DHABI, AND WERE ASSISTED BY LONG-TERM SOFT LOAN OF \$50 MILLION WHICH ENABLED THEM TO PAY ONLY ABOUT ONE-THIRD OF MARKET PRICE OF OIL IN HARD CASH. FOR 197? INDIANS WERE INFORMED THAT GOVERNMENTAL DECISION HAD BEEN MADE TO GO FARTHER IN DIRECTION OF DISASSOCIATING OIL DEALS FROM ECONOMIC ASSISTANCE. INDIAN MINISTER ACCORDINGLY SIGNED AGREEMENT WITH ABU DHABI NATIONAL OIL COMPANY TO LEFT SAME QUANTITY OF CRUDE IN 1976 AT GOING RATE OF 93 PERCENT OF POSTED  
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PRICE, SIXTY DAYS CREDIT, PAYMENTS IN HARD CURRENCY. INDIAN

MINISTER WAS THEN DIRECTED TO FOREIGN MINISTER SUWAIDI FOR DISCUSSION OF ECONOMIC ASSISTANCE. WE UNDERSTAND FROM RELIABLE SOURCE THAT HE SUCCEEDED IN GETTING COMMITMENT FOR ONLY \$20 MILLION IN A SOFT LOAN THUS FAR. HOWEVER, YEAR HAS JUST BEGUN, AND IF, AS WE ESTIMATE, THERE WILL BE INCREASE IN ABU DHABI REVENUE OF ABOUT ONE BILLION DOLLARS IN 1976, THERE WILL UNDOUBTEDLY BE FURTHER OPPORTUNITIES FOR GOI TO PUT SQUEEZE TO SHAIKH ZAYID, AND IF INDIANS PLAY THEIR CARDS RIGHT, REASONABLE PROSPECTS OF SUCCESS.

2. ON THIS OCCASION, HOWEVER, REACTION AT THIS END TO INDIAN INVITATION WAS NOT WHOLLY FAVORABLE. INDIANS DID NOT BRING UP, BUT ABU DHABIANS DID, QUESTION OF PROPOSED JOINT VENTURES IN STEEL MILL AND FERTILIZER PLANT. ABU DHABIANS ASKED INDIANS TO TELL THEM FRANKLY WHAT THEIR POSITION WAS ON THESE PROJECTS. MALVIYA TOLD THEM GOI NO LONGER INTERESTED IN PARTICIPATION IN STEEL MILL, BUT WISHED TO PROCEED WITH FERTILIZER PLANT PROVIDING INDIAN EQUITY SHARE WAS SUBSTANTIALLY REDUCED FROM 40 PER CENT ORIGINALLY DISCUSSED. INDIANS STILL, HOWEVER, PROPOSED THAT ENTIRE PRODUCTION OF FERTILIZER PLANT BE ALLOCATED TO INDIA, AND THAT ABU DHABI ACCEPT RUPEES FOR THIS. ON STEEL MILL, WHEN ABU DHABIANS SAID CAPITAL INVESTMENT WAS NOT MAJOR PROBLEM BUT COULD THEY GET ASSURANCES ON LONG-TERM AVAILABILITY OF IRON ORE FROM INDIA, INDIANS REPORTEDLY SAID THEY WILLING TO "CONSIDER" THIS IF THEY HAD ASSURANCES THAT MILL WOULD BE DESIGNED, BUILT MANAGED BY THEM.

3. EVEN INDIAN PARTICIPATION IN FERTILIZER PLANT APPEARS PROBLEMATIC AL.

ADNOC IS WELL ADVANCED IN NEGOTIATIONS WITH VARIOUS FIRMS TO BUILD FERTILIZER PLANT ON SOLE RISK BASIS, AND NOBODY HERE IS INTERESTED IN ACQUIRING INDIAN RUPEES. FOR NEGOTIATIONS TO BEGIN ALL OVER AGAIN TO ALLOW FOR INDIAN PARTICIPATION, PARTICULARLY ON TERMS GOI IS PROPOSING, WOULD PROBABLY NOT BE WELL RECEIVED BY ADNOC.

4. ABU DHABI DEPARTMENT OF PETROLEUM AND INDUSTRY WAS LEFT WITH IMPRESSION THAT IN DISCUSSIONS ABOUT OIL AND ECONOMIC ASSISTANCE INDIANS WERE ALL SWEETNESS BUT WHEN IT CAME TO THINGS ABU DHABI WAS INTERESTED IN THEY WERE PRETTY HARD-BOILED. WHILE IT IS SHAIKH ZAYID RATHER THAN DEPARTMENT OF INDUSTRY THAT GIVES THE MONEY AWAY AROUND HERE, UNFORTHCOMING POSITION OF GOI ON THESE INDUSTRIAL PROJECTS WILL NOT ASSIST THEM IN THEIR UNDOUBTED OBJECTIVE  
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OF BECOMING MAJOR RECIPIENT OF ABU DHABI LARGESSE THIS COMING YEAR.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC COOPERATION, ECONOMIC ASSISTANCE, PETROLEUM, AGREEMENTS, INDUSTRIAL PLANTS, JOINT VENTURES, MINISTERIAL VISITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 31 DEC 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975ABUDH02668  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750451-0443  
**From:** ABU DHABI  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1975/newtext/t1975123/aaaaabta.tel  
**Line Count:** 110  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 AUG 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06 AUG 2003 by CunninFX>; APPROVED <26 NOV 2003 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** : UAE-INDIAN ECONOMIC RELATIONS IN 1976 DEPT PASS TREASURY FOR PARSKY  
**TAGS:** ECON, ENRG, IN, TC, (MALIVIYA, KESHAV DEV)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006